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SENSITIVE
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SUBJECT: VIETNAMESE OFFICIALS POSITIVE ABOUT TRADE TIES DESPITE
CHALLENGES

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11. (SBU) Summary. In meetings with visiting Deputy U.S. Trade Representative Demetrios Marantis, Deputy Prime Minister Hai and other senior Vietnamese officials were enthusiastic and positive about the rapid development of bilateral trade relations. The Vietnamese officials pledged to agree on dates for Bilateral Investment Treaty (BIT) discussions, urged that Vietnamese exports of basa and tra fish not be covered under a proposed new U.S. regulatory regime for catfish, noted the partial opening of the Vietnamese beef market, and requested information on their request for GSP status. DUSTR Marantis said that the United States strongly shared the interest in continuing to pursue expanded trade opportunities through the Trade and Investment Framework Agreement (TIFA) and BIT talks. The U.S. was reviewing possible participation in Trans-Pacific Partnership (TPP) negotiations but had made no decisions. Marantis stated that support for trade in the U.S. had weakened, and in this new atmosphere, the GVN's recent negative human rights actions could endanger further development of bilateral trade ties. Marantis said that GSP would require improvement of labor rights and IPR protection in Vietnam and emphasized that the GVN's proposed partial opening of its beef market was not acceptable. End summary.

12. (U) During his July 16-17 visit to Hanoi, DUSTR Marantis met with Deputy Prime Minister Hoang Trung Hai, Trade and Industry Minister Vu Huy Hoang, Planning and Investment Vice Minister Coa Viet Sinh, and Agriculture and Rural Development Vice Minister Bui Ba Bong. He also met with U.S. business representatives and gave a trade speech to a group of university students. In the meeting with DPM Hai, Ambassador Michalak, U.S. Ambassador to Vietnam, raised the pending \$4 billion Chevron gas-to-power project which had stalled. Subsequently, Chevron reported that agreement was reached. The signing ceremony for the project occurred on July 23.

SHARED ENTHUSIASM FOR BILATERAL TRADE PROGRESS

13. (SBU) In his meetings, DUSTR Marantis lauded the rapid and broad progress of bilateral trade ties based on the Bilateral Trade Agreement (BTA) and regular discussions under the Trade and Investment Framework Agreement (TIFA). He encouraged his interlocutors to build on this success and move the trade relationship forward even more. Marantis noted that one mechanism was ongoing discussions on a BIT. He urged the GVN to respond to

U.S. proposals for dates for additional rounds of talks in September and later in the year. The Vietnamese officials said they shared the enthusiasm for the growing trade relationship and TIFA talks and agreed to work with the U.S. side to set dates for BIT discussions.

EARLY WARNING ON HUMAN RIGHTS

14. (SBU) DUSTR Marantis said that Vietnam's recent negative actions on human rights could present problems for bilateral trade ties. Support for trade in the U.S. had waned, as demonstrated by the draft Trade Act recently signed by 107 Congressman, and unless Vietnam improved its human rights record, it would become more difficult to continue to advance our bilateral trade agenda. The Vietnamese responded that the GVN respects human rights and each country has its own characteristics. Human rights should not become an impediment to progress on trade. DPM Hai stated that there were other channels to address human rights issues. The Trade Act was not good for the U.S. image.

U.S. REVIEWING TPP

15. (SBU) Marantis told his Vietnamese counterparts that the U.S. was reviewing its participation in the TPP. USTR Ronald Kirk would be attending the upcoming Singapore meeting on the TPP. Vietnamese officials responded that they appreciated the chance to participate in the TPP as an associate member and were working hard to prepare for negotiations.

IPR CRIMINALIZATION NEEDS MORE WORK FOR WTO COMPLIANCE

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16. (SBU) Marantis said he appreciated Vietnam's efforts on IPR protection, but noted that recently passed Vietnamese legislation that criminalized IPR violations was vague and the two sides should work together on the implementing regulations for the new law to ensure it complied with Vietnam's WTO obligations. The Vietnamese responded that their aim was to comply with WTO commitments and said they would work with the U.S. side on the implementing regulations.

HURDLES REMAIN IN AGRICULTURAL TRADE

17. (SBU) Vietnamese officials urged that Vietnamese exports of basa and tra fish not be covered under a proposed new U.S. regulatory regime for catfish. They also asked the USG to apply the zeroing principle on shrimp anti-dumping cases. DUSTR Marantis said the U.S. understood the importance of the basa/tra issue to Vietnam and would be transparent in handling the issue. The GVN and seafood industry would have an opportunity to comment and the USG would work with Vietnam on any transition to a new rule.

18. (SBU) Vietnamese officials noted that the GVN had offered to open its beef market to boneless beef over 30 months of age. They had done this to fulfill commitments made at the June 2008 summit and to Senator Baucus. DUSTR Marantis expressed appreciation for the GVN's efforts on beef but made clear that this partial market opening was not enough, as there is "no sound scientific basis" for Vietnam to not import bone-in beef over 30 months old. The two sides would need to hold additional discussions. MARD Vice Minister Bong agreed to this suggestion. Marantis said the USG would respond to the GVN's proposal to establish an Agricultural Working Group to deal with agricultural issues.

VIETNAM MUST IMPROVE LABOR AND IPR TO GET GSP

19. (SBU) DUSTR Marantis told DPM Hai that the U.S. was prepared to offer GSP to Vietnam but only after Vietnam improved its labor standards and IPR protection. Labor would likely be the more difficult issue and U.S. law required that Vietnam be "taking steps"

to adhere to fundamental labor standards, such as freedom of association and collective bargaining. DPM Hai responded that Vietnam was working hard to reform its labor laws and obtain GSP status.

¶10. (SBU) The Vietnamese side requested that the U.S. Department of Commerce not apply CVD law in an ongoing case to Vietnamese exports of plastic bags. The CVD case was dangerous to trade relations and the exports of both countries, especially those of Vietnam. Vietnamese officials also said they were working on relevant procedures to become an observer to the Government Procurement Agreement.

AUSTR WEISEL REVIEWS TRADE AGENDA

¶11. (SBU) In a lengthy July 16 meeting with Vietnamese Office of the Government Director Bui Huy Hung, AUSTR Barbara Weisel previewed the issues to be raised by DUSTR Marantis the following day. She noted the increasing concern about Vietnam's human rights record and said human rights and trade could not be separated. Hung and Weisel also reviewed the status of key bilateral trade issues.

¶12. (U) This telegram was cleared by USTR.

MICHALAK